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GOVERNMENT FINANCES.

S P E E C H

OF

FERNANDO WOOD,

ON THE BILL TO PROVIDE INTERNAL REVENUE,

DELIVERED

IN THE HOUSE OF REPRESENTATIVES, APRIL 19, 1864.

The subject under consideration being a bill reported from the Committee of Ways and Means, entitled "A bill to provide internal revenue to support the Government," &c.,

Mr. WOOD arose and addressed the House, as follows :

MR. CHAIRMAN: The bill under consideration is one of the most important ever submitted for the action of Congress. It proposes to raise by taxation on the people an annual revenue of from two hundred and fifty to three hundred million dollars. It is legitimate to refer, in the examination of a proposition of this character, to the causes which have produced the necessity for such a measure. I do not deny that the Government wants money, that it is embarrassed, that it is in a critical financial condition and that without resort to some means of positive income, without borrowing, it will find itself involved in utter bankruptcy and ruin. Therefore, sir, while I admit the necessity for relief, I cannot shut my eyes to the *causes* of this necessity. It is not altogether in consequence of the war, nor its great expenditures. In my judgment, had the Administration adhered to the Constitution, and had the general policy been consistent with justice, economy, integrity, and an elevated statesmanship, we should not have been compelled to the adoption of bills like this. Our monetary affairs would have been in another condition. But it is in the management of the public finances that the grossest errors have been made. This Department, so much lauded by the partisans and dependents of the Secretary of the Treasury, has probably contributed more toward the defeat of the Union cause than any other. Its affairs have been conducted so as not only to have paralyzed the Treasury, but to have rendered the whole banking, commercial, and trading interest of the country, like itself, confused, deranged, and unsubstantial. I propose to prove this assertion. Our national difficulties, with the immense resources of the country, need not of themselves have produced the present state of our fiscal affairs. Other nations have had their revolutions and wars, and have gone through severe monetary trials. History abounds with similar instances to our own in this regard. Wars doubtless create large expenditures, greater or smaller, depending upon their extent and the economy with which

they are conducted. To meet these expenses various expedients have been resorted to by different nations.

These expedients have varied from age to age, according to the changing circumstances of the people and governments; but the main result has always been the same, whatever may have been the device for reaching it, namely, to wring from the toiling millions the wealth that had been produced by their patient industry. If we look back through the long vista of contending nations to the remotest antiquity, we shall find each government exhausting its people alternately by taxation and by tampering with the currency. The last has ever been the favorite course with oppressive and designing rulers, because its operation is seductive and certain, even if its results are more disastrous than open taxation. During more than two thousand years governments have furnished illustrations of every variety of fraud which may be practiced upon a people by means of the currency, and all of them have reached the same disastrous end. Our own Government in the latter half of the nineteenth century has apparently imitated all that is bad in all those expedients, and practiced financially the 'oldest kind of crimes the newest kind of way.' The modern invention of paper money has varied the mode of depreciating currency only by giving it a wider and more disastrous scope, and therefore making more effectual the inevitable ruin which it involves. From the first introduction of paper money every nation, including our own, from colonial times to this present unhappy war, has been rich in examples of paper schemes in every possible shape. The philosopher and the observant financier have from all these costly experiments deduced the inexorable principles which govern financial questions, and these principles are, at the present day, well understood and received as a guide by the statesmen of modern Europe. The gentleman at the head of our own finances, "the first Lord" of the American Treasury, has, if we may judge from his political antecedents and his present acts, known all these truths and "scorned them all." He is deaf alike to the teachings of the past and to that wail of distress which a mighty people, struggling in his paper meshes, already begin to send forth. Our chief cities resound with the cry of workers whose weekly subsistence eludes their paper wages, and the distress of whose families find voice in continual strikes for higher pay. If the man of property yet finds the hand of the tax-gatherer laid lightly upon him, it is because the Government, as yet, chooses rather to increase the rent of the poor man's tenement than to dim the lustre of the jobber's palace.

This war, the most gigantic in recorded history, has thus far been conducted upon credit, and that credit has been in the most expensive and ruinous shape. It is mainly composed of irredeemable paper money, which in its operation dilapidates the capital that is not consumed. Its fluctuating and uncertain value dries up the industry of a country, inoculates the people with a spirit of speculation, and the national wealth perishes under the double process of great expenditure and diminished production. The whole cost of this war may be said to have been met by borrowing without taxation. A very few figures will show this extraordinary fact. The reports of the honorable Secretary of the Treasury show the following heads of the revenue and expenses for the three fiscal years ending June 30, 1864:

Year.	Expenditures.	Derived from Taxes.	Derived from Loans.	Debt at end of year.
1862.....	\$570,841,700	\$51,935,720	\$529,692,460	\$508,526,499
1863.....	714,709,995	111,393,766	595,595,726	1,098,793,181
1864.....	1,099,731,960	156,239,454	588,163,460	1,686,956,641
Totals.....	\$2,386,283,655	\$819,574,942	\$1,713,451,646	_____

It will be observed in this return that the amount of debt at the close of the third year is not so large as the amount of money the Secretary proposes to borrow. This arises from the fact that the Secretary estimated a large amount of the appropriations asked for would remain unexpended at the close of the term. This, however, is likely to prove illusory, since already deficiency bills to the amount of over \$100,000,000 are now before this Congress. The amount of debt, whether liquidated or not, is likely to be fully equal to the difference between the expenditures and the taxes, or over \$2,000,000,000.

The whole amount of taxes from January 1, 1862, including the sanguine estimates of the Secretary for the last half of the year, are \$319,574,942, or an average of \$106,528,314 per annum, but little more than the expenditures of each of the three previous years of peace. It may be said, therefore, that this whole war has been conducted on credit; that \$2,000,000,000 have been raised by paper promises and nothing by taxes.

That man must be of a credulous temperament who supposes that taxes will be imposed and paid during the lassitude and exhaustion which will succeed this war, when they have been neglected during its excitement and seeming prosperity.

EUROPEAN EXAMPLES.

If we turn from this spectacle of debt to the nations of the Old World we find a parallel only in the wars of the French Revolution. The financial operations of the revolutionists closely resemble our own, with the exception that they were more wisely conducted. Alison, in the History of Europe, page 313, vol. 1, remarks :

"Cambon, the Minister of Finance, soon after the fall of Robespierre, made an important and astonishing revelation of the length to which the emission of assignats had been carried under the reign of terror. The national expenses had exceeded 300,000,000 francs, or about 12,000,000 per month; the receipts of the treasury during the disorder which prevailed never exceeded the fourth part of that sum, and there was no mode of supplying the deficiency but an incessant issue of paper money. The quantity in circulation at the fall of Robespierre amounted to 6,400,000,000 francs, or £200,000,000 sterling. But this astonishing issue of paper could not continue without introducing a total confusion of property of every sort. All persons employed by the Government, both in the civil and military departments, were paid in the paper currency at par, but as it fell rapidly, from the enormous quantity in circulation, to a tenth part, and soon to a twentieth, of its real value, the pay received was merely nominal, and though in receipt of the largest apparent incomes, were in want of the common necessities of life."

Now, sir, how do these facts compare with our present expenses? The expenditures of France in the great struggle for her regeneration were \$60,000,000 per month, or \$720,000,000 per annum. Our expenses for three years average one tenth more than that sum. France raised one fourth of it by taxation, we raise one tenth. France ruined itself with \$1,500,000,000 of paper; our issues unprovided for by taxation already exceed that sum. The great Revolution of the French people against the Bourbons and despotic government failed entirely in consequence of the financial errors of the revolutionary government and the incapacity of the Directory. This is an example that this country has now before it.

Revolutionary France, exhausted by the operation of paper money, fell into the hands of a successful soldier, whose great capacity was not confined to the field of battle. From that France, so exhausted by the paper-money men that they could no longer uphold the sovereignty of the people, Napoleon extracted the means to make fifteen years' war and conquer Europe. Under fifteen years of the empire the expenses of France were \$1,530,000,000; that is to say, less than those of the last two years of our Government. In that time the troops of France visited every capital in Europe, and the French emperor became the master of

the Continent. Now, sir, that \$1,530,000,000 was raised entirely by taxation and a judicious management of the public property. France at that time embraced Belgium, Luxemburg, Piedmont, and Savoy, or one hundred and sixteen departments, or thirty more than at present. The taxes mentioned were levied upon and paid by the present eighty-six departments. The result of this system of finance was that the annual charge upon the public debt in 1797, the year VI of the Republic, was \$32,250,000; at the close of 1814 the annual charge was \$36,000,000. An addition of \$4,000,000 per annum to the interest on the public debt had been the result of fifteen years of conquest, during which the French eagles had passed from Lisbon to Moscow, from Berlin to Venice. It may be replied that France levied contributions. Such was the case in the last six years of the empire, when the Emperor sustained a million men in arms against Europe banded together by the subsidies of England. These are the exact figures for the contributions levied from January 1, 1808, to April 1, 1814, \$109,837,241. (L. Wolowskie.)

The great antagonist of France in those long years was England. That powerful nation, untouched herself by a hostile force, furnished the means by which coalition after coalition was formed in Europe to oppose the resistless march of the French legions. The system of England was different from that of the French Revolution, and was not similar to that of the empire. It mingled paper money with debt and with a round system of taxation, and succeeded for the time, not by means of its excellence, but by reason of a sort of miracle. The tales of the Arabian Nights describe an individual in sore tribulation, who discovered upon the beach a casket, on opening which there issued forth a vapor, which, ascending and dilating, took gradually the form of a mighty genii, who, in gratitude for his release, became the all-powerful slave of his liberator. That tale was realized at about the date of the French Revolution. James Watt discovered the casket, and there issued forth a vapor which gradually filled England with tireless slaves that did the work, it is estimated, of sixty million men. Arkwright discovered another worker in the spinning-jenny; and Cartwright still another in the power-loom; to which our own Whitney contributed the cotton-gin, which was to feed those mighty workers with raw material. Numberless other agents of production sprang into life. In short, the age of machinery succeeded the age of hand labor. England, secluded from war in her island home, possessing a powerful fleet that commanded the ocean, as Napoleon ruled the land, monopolized the markets of the world for the sale of the goods which her new productive power created. She thus held an exhaustless fund of wealth, which enabled her to feed and prolong the war. Sir Archibald Alison, in the History of Europe, admits that Watt and Arkwright conquered Napoleon. The expenditures of England during those years were as follows, per Marshall's tables, namely :

Revenue from taxes, 1793 to 1816.....	\$4,910,803,433
Net loans, 1793 to 1816.....	2,037,086,460
Expenses twenty-four years.....	6,997,849,893
" per annum.....	250,322,400

The English began the war on credit. Up to 1797, the year of bank suspension, they did not impose war taxes. In Marshall, table 11, we have this account :

"During the first five years of the war no increase of taxation took place. The operation of the war during that period was mainly sustained on credit and issues of paper; a large portion of the supplies for the navy were obtained by bills at ninety days date, bearing interest. These, in the first instances, operated as an enlargement of the circulating medium, and thereby tended to enhance the money price of commodities, and reconcile a great portion of the producers to the war. These bills, also, it was, that formed the basis of those money fortunes which have led to the creation of a new class or order of society in England, namely, a money oligarchy."

This certainly is a description of our own financial commencement. The minister of the day, Mr. Pitt, was soon convinced that this plan must come to an end; accordingly the government ceased its issues of paper, but in 1797 permitted the bank to suspend, or, in legal phrase, restricted the bank from paying specie until six months after peace shall be declared. The taxes grew year by year from £17,000,000 in 1796 to £72,000,000 in 1815. The loans of the government were subordinate to the export trade of the country as the vast machine power came into play. British merchandise found increasing sales all over the world, and at paper prices. The paper of the government and bank depreciated and caused prices to rise, but her foreign customers were compelled to pay those prices, because of her monopoly through her command of the ocean. The amount of exports from 1797 to 1815 was £695,554,185 exceeding the imports by £350,000,000, or \$1,701,000,000. How was this large sum accounted for? It was thus: English agents in all parts of the world drew on the government at London for supplies of army and navy subsidies, secret service, &c. These bills were annually funded. The bullion committee of 1811 state the bills so drawn in 1795 at £11,040,236. The loans contracted in that year were £12,907,451, that is, the bills were funded. Thus the amount of money actually borrowed by the English government consisted in very little more than the extraordinary profits on her foreign trade, caused by the joint influence of her newly-invented machinery, the cessation of manufacturing industry in Europe, the absence of it in the United States, and the supreme command of the ocean by the British fleets.

Those profits were funded in perpetual annuities. If that funding had not taken place, had England continued at peace, the large capital so accumulated would have been applied necessarily to the employment of the people at better wages and have produced a more general distribution of wealth. Instead of that, however, it was expended in war, and the stock created for it has been held by non-producers, an "oligarchy" for whom the million has, during fifty years, hopelessly toiled. Those people have paid since 1813, \$7,000,000,000 in taxes for interest, without diminishing the debt one dollar. During the war the property or income tax yielded, per annum, £15,000,000, and was repealed with the return of peace, when reliance was had altogether upon indirect taxes until the reform under Sir Robert Peel in 1842. A return to the property tax was then made as less injurious to the industrial interests of the nation than indirect taxes. We have here three examples, that of revolutionary France, ruined by paper money, that of the great success of the cash system by Napoleon, and that of a mixed system in England which gave temporary success at the cost of future distress.

GUR REVOLUTIONARY EXAMPLE.

Having glanced at these modes of meeting great national difficulties adopted abroad, we return to our own great struggle when the thirteen colonies banded together to repel a common aggressor. The expenses of the seven years' struggle were never exactly ascertained, but were approximated by Nourse, the Register of the Treasury in 1790, at \$135,193,103, of which *one half* was raised by taxes levied and collected during the war. The residue remained a debt due from the States in their collective capacities after the war. The payments from the Treasury were made in Continental paper. The first issues were made in 1776, and retained their value nearly through the year 1777, but in 1780 ceased to be of any value. The ratio of depreciation is seen in a table prepared and presented to Congress by General Washington in 1783 in settlement of his accounts. At

the close of 1777 the money was 75 cents per dollar; at the close of 1778, 15 cents per dollar; in 1779, 3 cents per dollar; in 1780, $2\frac{1}{2}$ cents. The whole amount of the emissions was \$357,476,541. The ruin of this currency left the country in a deplorable condition. The interest on the public debt was not paid because the States would not respond to the requisitions for that purpose, and public credit was gone. The debt sold for ten cents on the dollar. The collection of private debts was suspended, and private credit nearly ceased to exist. With the peace a flood of goods arrived to carry off the coin, and taxes were not to be collected. Many of the States had recourse again to paper money and legal tender laws, and in Massachusetts open insurrection burst forth. All these evils were cured as if by magic when a Government "based on the consent of the governed" was formed from a union of the States that conferred on the Federal Government the right to collect duties on imports for the purpose of revenue, withheld from it the right again to issue paper money, and prohibited the States from making anything a legal tender but gold and silver.

The customs at once gave the means of paying the interest on the debt, restored value to all outstanding obligations, removed the necessity for taxes and State requisitions, and put in motion the wheels of commerce that soon supplied the country with coin.

THE PRESENT FISCAL MANAGEMENT.

From that time to the advent of the present Administration, the customs duties had supplied all the wants of the Government. The reports of the Treasury Department show the expenditures of the Government from March 4, 1789, to July 1, 1861, to have been \$1,453,790,786. Received from customs \$1,575,152,-579. In other words, the customs revenues had exceeded the whole expenditures of the Government, by \$121,361,793. There has been received from lands \$175,-817,961, and from other sources \$95,305,322, making \$392,485,076, which sum has been applied to the payment of the Revolutionary debt, the expenses of the War of 1812, the Florida war, the Mexican war, including the purchase of California, the Mormon war, the purchase of two empire—Louisiana and Florida—and the indemnity to Texas, besides building the national Capitol, the custom-houses, light-houses, navy-yards, arsenals, foundries, &c., and filling them with millions of dollars worth of the materials of war. Such was the operation of the customs duties down to the induction of Mr. Chase into the Treasury Department. The expenses of three years of his administration may be stated thus: Mr. Chase's three years \$2,385,283,655; twenty-four Secretaries, seventy-two years, \$1,453,-790,786.

Thus, under Mr. Chase, there has been expended nearly seventy per cent. more than by his twenty-four predecessors in the previous seventy-two years, including the Revolutionary debt and pensions; and nearly the whole of this vast expenditure of Mr. Chase exists in the shape of a floating debt. It is really a floating debt, because no system of finance whatever has been devised to meet the interest or ultimately to liquidate it. No attempt whatever has been made to place this enormous debt on a solid basis. The utmost ingenuity of the Secretary has been exhausted in devising different forms of promises by which the floating paper may be multiplied, but in no case whatever has he projected a permanent system of finance by which the fall of this swelling avalanche may be averted. The utmost extent to which he has gone in this direction is in his last report, page 9, "to urge on Congress efficient measures for increase of rev-

enue," and on page 10 to concur with some recommendations of the Commissioner of Internal Revenue for an increase of tax on bank notes, spirits, tobacco, and cotton. This is the whole. The Secretary is very fruitful and profuse in suggestions as to putting out paper, but has no fertility of invention when the question is of payment. The honorable Secretary also, on page 2 of his annual report, takes credit to himself for the gratifying fact that the receipt from all sources, except internal revenue, exceed the estimates. Now, as the internal revenue was estimated at one half the whole, and that was deficient sixty per cent., it is difficult to see the matter for congratulation. Let us look at the figures as contained in the report, page 3 :

	Estimated.	Actual.
Customs.....	\$68,941,736 59	\$69,059,642 40
Lands	88,724 16	167,617 17
Miscellaneous.....	2,244,816 32	3,046,615 35
Direct tax.....	11,620,717 99	1,485,103 61
Internal revenue.....	85,486,303 73	37,640,787 95
Balance from last year.....	13,043,546 81	13,043,546 81
 Total receipts.....	 \$180,495,345 60	 \$124,443,313 29

Now, sir, the first item here is customs, and the Secretary takes credit that it exceeded his estimates \$1,017,905 81. What is the fact? If we turn to page 37 of the same report, we find these items :

Expenses of collecting customs.....	\$3,238,936 67
Repayment to importers, excess of duties.....	2,262,770 69
Debentures on drawbacks.....	1,026,135 58
 Total.....	 \$7,360,350 11

This sum being deducted from the total of duties the Treasury will have realized actually \$61,699,292, or \$6,342,444 less than the estimates. But the pretense may be set up that the estimate was gross revenue. Such a pretense is not valid, because any amount may be taken and repayment made. Moreover, the expenses and repayments this year exceeded those of the last \$1,795,461, which more than absorbs the increase in revenue for which the Secretary takes credit. The next item is land revenues, total amount \$167,617, for which the Secretary takes great credit. Sir, he charges for collecting that amount, on page 37, \$111,254 06; for surveys of the land, \$114,298 81; for special counsel fees, \$24,203 90; for repayment of land sold, \$12,947 38; for indemnity for swamp lands sold to individuals, \$37,189 78; making a total of \$299,893 99 spent to obtain \$166,617. Certainly, not a very profitable operation. We are then told that the direct tax fell short \$10,135,614, or ninety per cent.; that the internal revenue fell short \$47,815,516, nearly sixty per cent. We are then carefully told—page 3—that the careless estimate was by "a very competent gentleman," which means clearly not by the Secretary himself. The result is, that instead of \$180,000,000, the Secretary realized but \$116,783,069. Every item in the Secretary's estimate fell largely short. It will be observed that the Secretary includes in his "receipt" \$13,043,546 81 balance from last year. That was undoubtedly a sum of money to be used, but was not a "receipt" of the current year; notwithstanding which, we have the following on page 4 :

"From the actual expenditure, \$714,709,971, there must be deducted the actual receipts, \$124,443,313 in order to show the amount derived from loans, \$590,266,682."

Now, this sum of \$124,443,313 includes the \$13,043,546 81 on hand at the beginning of the year, and of which there remained on hand at the close \$5,327,044. This last sum is wholly ignored by the Secretary, and his calculation is wrong

by that amount, a sum equal to the whole expenditure of Washington's Administration. It would be tedious to pursue these errors through the whole report. Enough has been said to show the slip-shod manner in which the mere details of the national finances have been treated.

The great question of taxation has been studiously evaded. The most sanguine estimates have been made to keep up a promise of revenue, while the substance has been avoided. Experience has shown that the estimates of the Department are entirely unreliable, and on page 10 the Secretary states it was not his policy to tax.

"It was not important, so long as it seemed highly probable that the war would speedily be brought to a successful close, that the revenue should exceed the ordinary expenses and interest. On the contrary, it seemed wisest to obtain the means for nearly the whole of the extraordinary expenditures by loan, and thus avoid the necessity of any considerable increase of the burdens of the people at a time when the sudden outbreak of flagitious rebellion had deranged their business and temporarily diminished their incomes." * * * * *

"But receipts disappointed expectation, and it soon became obvious that a much larger proportion of the means needed for the fiscal year 1862 than the principle adopted would allow must be derived from loans."

Thus the plan was to emit paper at a time when the enthusiasm of the people was fully aroused, when their wealth was untouched, and when their ability and will to pay taxes were almost boundless. Congress, had, however, passed a tax of \$20,000,000 on real estate, but having enacted the internal revenue act concocted by the honorable Secretary's "very competent gentleman." He informs us, page 11 :

"In that report, (December, 1862,) therefore, and in his subsequent communications to proper committees, the Secretary suggested no taxation, but confined his recommendations to other measures for the improvement of the public credit, among which those relating to loans and to the uniformity of currency held the foremost place."

The meaning of which is that the Secretary having embarked in the paper-money system was determined to follow it out ; accordingly the real estate tax was repealed, and the internal revenue tax so modified as to be profitless. The customs that had been in the original loan bill of July, 1861, pledged to the payment of the loan then authorized, and which pledge had been stricken out in the Senate, were again appropriated, first, to the payment of the interest on the public debt, and second, to a sinking fund of one per cent. per annum on the entire debt. This sinking fund has virtually been repealed in order to sell the gold in aid of speculators for a fall, which has, however, produced a counter effect ; and there will remain only the custom taxes, receivable in gold, appropriated to the payment of the interest on the public debt. This debt now outstanding in various forms of paper is of three classes : first, that of which the interest is payable in coin ; second, that of which the interest is payable in paper ; and third, that which bears no interest. The amounts under these heads were as follows, February 1 and March 5, by official reports which have been published :

	February 1.	March 15.
First class interest on coin.....	\$763,397,214	769,192,812
Second class, interest in paper.....	221,874,891	311,588,402
Third class, no interest.....	487,971,619	516,218,215
Total debt.....	\$1,473,225,724	\$1,596,999,429

There is, in addition to this, \$250,000,000 of interest bearing currency being issued, and, as we have seen from the estimates of the Secretary, the expenditures are \$3,000,000 per day. The debt at the end of the current year, in any event, will be at least \$2,500,000,000. If that debt is ever paid at all it must be by funding the whole of it in a stock, the interest payable in gold, in which case the annual interest will be \$150,000,000. The old peace expenditures of the Govern-

ment were \$83,000,000 with an army of twelve thousand men and an insignificant navy. The whole expenditures will never again be under \$200,000,000, and with the interest on the debt, \$450,000,000, to which add one per cent. for a sinking fund, and the amount is \$475,000,000. In the last ten years the average of customs duties has not been over \$50,000,000 per annum. There remains then \$425,000,000 per annum, which is to be extracted entirely by taxes from a war-exhausted people. This immense amount is to be paid in specie at the rate of two dollars for one received by the Government. Up to this moment there have been really no steps taken toward obtaining it. The pernicious system of paper money has been the only resource. The Secretary has, indeed, negotiated a large amount of six per cent. stocks, but he had done it only by selling them at sixty cents on the dollar. He is paying ten per cent. per annum in gold for every dollar of gold value he has received.

The Secretary with amazing effrontery informs Congress, in his report to Congress, page 13, that he kept steadily in view moderate interest on loans, and congratulates himself upon his success in that respect. Here is his language:

"The earliest negotiations were at the highest rates of interest; for it is a distinguishing characteristic of our financial history in this rebellion that the public credit, which was at the lowest ebbs in the months which preceded its breaking out, has steadily improved in the midst of the terrible trials it has brought upon the country. The first loans were negotiated at seven and thirty hundredths per cent., the next at seven; the next at six; more recently large sums have been obtained at five and four; and the whole of the debt which is represented by United States notes and fractional currency, bears, of course, no interest."

The secession of South Carolina took place Dec. 10, 1860. Sixty days previously a \$10,000,000 Federal five per cent. stock was negotiated at one and a half per cent. premium. When events progressed, Mr. Chase himself was utterly unable to negotiate any loan at any price. The capitalists of New York in April, 1861, offered him ninety-three for a six percent. stock, which he, in his blindness, refused, and soon after was glad to accept eighty-five for the same stock. He then appealed to the capitalists for aid. The committee of the Chamber of Commerce and a committee of the associated banks succeeded in negotiating for Mr. Chase a loan of \$9,000,000 at eighty-four per cent. In the mean time, while Mr. Chase was helplessly asking aid from banks, the whole people came forward and poured \$70,000,000 voluntarily into the Federal Treasury. Every State, every county, every town gave its share to sustain that Government whose credit Mr. Chase tells us was so low. At the close of June Mr. Chase, unable to use the credit of the Government, was again dependent on the banks for a temporary loan. In July, Congress authorized a loan of \$250,000,000, with which Mr. Chase could do nothing until the associated banks again assembled and made the loan for him.

Most true is it that the fear of the paper money injured the public credit. It is also true that the Secretary negotiated no loans except those for which the banks gave him gold at par, until by the use of paper money he had depreciated the value of the bonds to sixty per cent. on the dollar, when they were apparently sold at par on their face, but really at an increasing discount. This juggle was performed by paper money. The same paper which cheats the workman out of his wages fills the pockets of the capitalists. It makes the poor poorer and the rich richer. It enlists the speculator, the jobber, and the plunderer in favor of the war, and they gorge themselves with wealth at the expense of the industrious many. With the suspension of the banks forced upon them, evidently by the design of the Secretary, the money began to depreciate; and it was only then when that depreciation became very great that the capitalists brought it up to convert it into six per cent. gold interest stock. December 1, 1861, the Secretary sold to the banks

\$50,000,000 of twenty-year six per cent. stock at eighty-nine per cent., or for \$44,661,231 in gold, or at seven per cent. interest per annum. In February, 1862, Congress authorized \$500,000,000 of six per cent. gold interest stock, into which paper money was to have been converted, and the Secretary made every possible effort to negotiate it, but with so little success that in February, 1863, after the lapse of twelve months only \$25,000,000 had been sold. There had, however, been issued \$250,000,000 of paper money which had depreciated to such an extent that the public were alarmed. They had received large quantities of this paper for goods, and did not know how to employ it. The Secretary had employed a large number of agents to sell his stock, and these agents represented that the stock would be paid, principal and interest, in coin. They were then enabled to sell \$133,000,000 in the three months ending July 1, 1863.

Now, sir, what was the coin value obtained for that stock per \$50,000,000? The average price of gold was 145 in June, in which the largest conversions were made. In April and May the rate had been higher. If we take the June average, the gold value of the stock was 68.96 per cent.; consequently the gold value of \$50,000,000 stock was \$34,480,000. The price of gold fell during the summer months, and there were comparatively few sales of stock. The Government paper did not, however, appreciate in respect to the values of other commodities for reasons that will shortly appear. In September the autumn trade was very brisk, and large amounts of goods were sold for paper. The bank deposits again increased largely and flowed over into the five-twenty stock of the Government. In the months of October and November the Secretary sold \$100,000,000, for which he received \$66,000,000 gold value. The remainder of the loan was sold in December at sixty-four cents gold value. If we recapitulate these sales of stock by the Secretary we find them to have been as follows in sums of \$50,000,000.

	<i>Stock sold.</i>	<i>Received in gold.</i>	<i>Interest paid in gold.</i>	<i>Rate of Interest.</i>
August 19, 1861.....	\$50,000,000	\$50,000,000	\$3,650,000	7.30 per cent.
October 1, 1861.....	50,000,000	50,000,000	3,650,000	7.30 per cent.
December 1, 1861.....	50,000,000	44,661,231	3,000,000	7.00 per cent.
June, 1863.....	50,000,000	24,480,000	3,000,000	8.70 per cent.
October and November, 1863.....	50,000,000	33,000,000	3,000,000	9.09 per cent.
December, 1863.....	50,000,000	32,000,000	3,000,000	9.37 per cent.

Thus, so far from a decreasing rate of interest, as claimed by the Secretary, he was enabled to sell the stock in no other way than by increasing the rate of interest. The lowest rate of interest he obtained was from the banks, just before he forced them to suspend. Since then the rate has gone on constantly to increase. Now, sir, the highest rate paid by Great Britain for money was in 1804, at five and a half per cent.; \$130,000,000 in round numbers, of a three per cent. stock, was sold for \$70,000,000 in money, gold being then eight per cent. premium. It may be here remarked in passing, that this sale of the five-twenty stock is a total perversion of the objects for which it was created, and which object is sufficiently explained in section two of the law of February 25, 1862, authorizing them:

"That to enable the Secretary of the Treasury to fund the Treasury notes and floating debt of the United States, he is authorized," &c., &c.

The meaning of this was to "fund" the notes; that is, to call them in from circulation and destroy them, giving the holders the six per cent. stock in payment, thus clearing the market of a superabundant and pernicious circulation. He has sold all the stock and not a dollar of the notes is "funded." The whole amount still floats at an increasing depreciation.

The agents of the Secretary now boast that the market will soon be in such a

condition that they can sell the \$900,000,000 of ten-forty year stock authorized by the act of March 3, 1863, at five per cent. interest. Gold is now, say 182, or in other words Government paper is at 57 cents per dollar, which is the price at which the Government officers in California are compelled to sell the legal-tender money they receive for their salaries. If the Secretary was able to sell his stock at five per cent. to-day he would realize, gold value, for \$50,000,000 \$27,472,000, on which the gold interest would be \$2,500,000, or over nine per cent. per annum in gold. The present inflation will go on with this object until the five-twenty six per cent., recently sold at par, shall have touched 120, because that is the equivalent of a five per cent. stock at par; that is, when the six per cent. stock sells at 120 it gives the same interest as a five per cent. stock at 100. To effect that gold must advance to 190, at which price the gold value of the six per cent. five-twenties at 120 currency will be 63 cents per dollar, and the gold value of five per cent. ten-forties at par currency will be 52 cents per dollar, at which rate the Secretary will be borrowing at nine and a half per cent. per annum in gold. I have in these calculations assumed that the five-twenties were negotiated at par for United States notes, which, however, is not the case. The Secretary's agents and their friends have received a commission deducted from the proceeds of the loans of three eighths of one per cent. or a rate which on the negotiation of \$470,000,000 amounts to \$1,762,500, which is the sum of the discount for which the bonds were sold for paper, and very large sums of the five-twenties are reported held by the speculative agents to realize the profit expected from the inflation which is to prepare the market for a five per cent. stock at paper par. On \$50,000,000 of stock so held \$10,000,000 of profit may be realized, in order to juggle the public into the belief that they are borrowing cheaper, when, in fact, they are paying more. The same agents look to a similar commission on the ten-forties on the sum authorized. This will amount to \$3,875,000.

THE METALS AS A STANDARD OF VALUE.

One of the most simple as well as the most ancient machines for facilitating commerce and industry, is money of itself, yet it has been more mystified and made the instrument of more frauds upon the people than perhaps any other human contrivance. The use of money, and of gold and of silver as the material for money, appears from all history, sacred and profane, to have been familiar to the most ancient nations of the world, and yet down to very recent times a system of barter-trade has been maintained in many countries of Europe. It is obvious that as soon as mankind by the operations of industry had produced a variety of commodities that their desire to exchange them with each other manifested itself almost simultaneously. To exchange one commodity for another, or several for one, was a laborious and inconvenient system, and mankind seems by common consent to have referred all articles to one standard of exchange, namely, the precious metals. Those metals were eminently fitted for the office of a standard, because they are compact in form, are less liable to deteriorate than some others, and are less liable to fluctuate in supply, but the most important of all was the fact that they are most widely recognized among nations as a currency. This fact imparts to them a large part of their value. It is estimated by M. Chevalier, and other eminent writers upon the subject, that the quantity of gold used as a currency by modern nations is 23,308,742 pounds weight. Suppose all nations should abandon the use of that metal as a currency, what would be its value? What would become of the industry of California and Aus-

tralia? But all nations demand gold for a currency; it is a labor-saving machine with which they cannot dispense; consequently, all the industry of all nations is at the service of the possessor of gold.

When the metals became recognized as a medium all transactions were for certain quantities of pure gold and silver. It became necessary then for every man to weigh the gold he received and to be able to test its fineness. The early years of California mining was an illustration of this. Every man had his bag of gold dust and his scales. The next improvement was coining. This is nothing more than to prepare the metals in pieces suitable to handle and stamp on them the weight and fineness, so that each man recognizes the quantity and value at sight. It was requisite that the highest faith should be reposed in the marks affixed to the stamped pieces, and the sole power to make them was conferred upon the Government. At this point steps in mystification and fraud. No Government has ever been honest in this respect. All of them have from time to time diminished the quantity and quality of the metals, thus defrauding the recipients, leading to uncertainty in traffic and rise in prices, because if there was less metal than was originally stipulated less goods would be forthcoming. In the Roman republic the As was the chief coin; it was simply one pound weight of pure copper, but was gradually reduced to one third of that weight. When the Roman arms subjugated surrounding nations, particularly southern Italy, gold and silver became abundant, and the imperial city concentrated the metallic wealth of the world. The relative value of gold to silver was then one to fifteen, or one ounce of pure gold was worth fifteen ounces of pure silver. With the fall of the Roman empire Great Britain and the nations of western Europe developed their industry and drew to them the metals before concentrated at Rome. The increase of traffic and industry demanded continually larger supplies of the metals, and the miners did not adequately answer this demand; hence money grew scarce. The Crusades had carried off a large portion of what had circulated, and the payment of taxes became very difficult. In Great Britain this fact facilitated the emancipation of born slaves on the great manors. Each prince in succession sold some of his born slaves, down to Queen Elizabeth, who finally sold freedom to all the slaves born on her manors.

During this period of straitened finances tampering with the currency was a favorite resource. At the date of the Conquest a pound in money meant a pound weight of pure silver which was coined into twenty pieces called shillings. During the seven hundred and fifty succeeding years the weight of the shilling was reduced until sixty-six were made out of a pound of metal. If this reduction had taken place in a lifetime the man who was to receive two hundred shillings instead of getting ten pounds weight of silver would have been compelled to take three pounds. Gold fared no better. Under Edward III, one ounce of gold was coined into twenty-one shillings. There were twenty-four successive reductions of the amount of metal in the coin until the ounce was coined into seventy-eight shillings. In Scotland the reduction was to one fortieth of the original weight. In France to one seventy-second of its original weight. These Government frauds were all committed for the profit of the crown exchequer. The weight of coin that came into the treasury for perhaps £1,000 was recoined secretly and paid out for perhaps £1,200. The fraud would be first discovered in the foreign trade. These were the practices of nations not yet acquainted with the use of paper as money. The moment a crown minister could make money by a printing press at will, there was no necessity for reducing the intrinsic

value of coins or raising their nominal value. This system of making a less quantity of the precious metals serve for the same purposes that before required larger ones operated only against the creditor interest in the country which practiced it, inasmuch as that debased money would not be taken by foreign merchants at the same value. Many nations went further and substituted copper and adulterated coins having some intrinsic value but far below the nominal value.

PAPER MONEY.

The next step was the introduction of paper money without any intrinsic value whatever. This has been the source of the most frightful evils in most countries of Europe. It has given rise to more discussion than most other elements of human industry; and this because the public do not recognize the difference between a useful and valuable promise that represents an actual commodity, and a promise which represents nothing but expense. The former is a very useful, nay, indispensable aid to commerce and industry; the latter is the most pernicious fraud that can be practiced upon a people. So deep, wide-spread, and disastrous are its effects that the utterance of it by Government should be held to be the highest crime that can be committed against a nation. It is now seven hundred years since the Bank of Venice, originating like most banks in a forced Government loan, commenced dealing in bills of exchange. A bill of exchange is simply an order to pay to the holder of it a sum of money in the possession of the person to whom it is addressed. Before the invention of these bills a merchant who sold his goods in one city was obliged to transport thence the proceeds in coin to some other city where he wished to make purchases. The merchant of Venice who sold his wares in Genoa, and wished to buy other commodities in Leghorn, was compelled to transport thither the gold, the proceeds of his sale in Genoa, while at the same time some other merchant was making the reverse operation. Naturally, it occurred to the first to sell to the second an order on Genoa for the money; and he bought at the same time an order for money in Leghorn. All hazardous transportation of money was thus saved. This was a great invention, and gave a great impetus to the commerce of the world. The bills were usually drawn at a certain number of days sight. The power of Venice and its bank reached vast proportions in 1493. The bank never suspended until 1797, when it perished with the republic under the blows of Napoleon. That long career of six hundred and twenty-five years was due to the fact that the bank never dealt in or issued false paper. All the bills that passed through it represented actual commodities, and were canceled with the proceeds of those commodities. The bill of exchange having once an established usage, it received many new applications. It was adapted to internal trade, and became the medium by which much produce was purchased and sent to market, each bill being accompanied by the produce, the sale of which was to pay and discharge the bill, which was drawn at thirty or sixty days' sight, to allow time for the sale of the goods. This was also a vast labor-saving machine, and became the substitute for a large amount of money previously used in internal trade.

The next step in this direction was to issue paper payable on demand, to circulate as money in the purchase of produce. This was another and eminently serviceable invention when honestly administered. Its chief fault is that it is too easily abused, and it then becomes in the last degree injurious. The principle may be briefly illustrated thus: a drover about to start on a cattle-buying expedition

goes to a bank, draws his bill of exchange payable in New York in sixty days for \$1,000. He receives the amount in bank notes, travels through the country paying out the notes in the purchase of cattle. These are then driven to the city, where they are sold for money with which the sixty day bill is paid; that bill has then done its work and has gone out of existence. Meantime the bank notes received by the farmers and graziers have by them been paid into stores for supplies of all kinds, which supplies had previously been purchased by the storekeepers in New York for their notes of hand. The storekeepers having thus gathered the bank notes, take them back to the bank that issued them and received for them the drover's bill of exchange. The bank has thus paid out its notes for the bill, and has got them back for the bill. The notes having performed their office as money, have retired into the bosom of the bank that issued them to await a new operation. The storekeeper sends the bill to New York to his creditor, who gets paid at the hands of the drover. Thus merchandise has been sent to the country for consumption, and cattle have been bought up and sent to the city in payment by means of three descriptions of paper, namely, the storekeepers' notes, the drover's bill, and the bank notes; each and all of which were called into existence by the commodities they represented, and all of them went out of existence with the consumption of those commodities.

These are the natural and eminently useful functions of paper bills and money. When skillfully administered, the quantity in circulation rises and falls in exact proportion to the productive industry of the section or country where they are used, and always with perfect safety. There can be no possible limit fixed to the amount of money or paper required. The operations of trade alone can indicate it. The statesman or politician or writer that undertakes to "regulate currency" or determine the amount required, or to lay down rules for its guidance, is unmistakably a knave or fool. If the issuer of paper is skillful and honest, no security whatever is required. If he is neither one nor the other, no amount of security will make his operations safe. The circulation of New England is probably the best in the world. It is not secured upon any pledge of stocks, but rests on the production of the section. Every dollar paid out must represent industrial wealth, because it flies in the currents of trade directly to Boston where it must be redeemed at sight, and the commodities for which it was issued must be there to meet it. The five hundred banks in that section issue \$45,000,000 of notes, and these as soon as uttered begin to move to the common center where their value is tested by prompt redemption in specie. The uniformity with the constitutional currency is absolute. Every great city is the center of a similar financial system, and their centers are connected by bills of exchange on a specie level, and the volume of all the circulation is regulated with perfect accuracy by the foreign exchanges.

When the volume of the national currency is too full prices rise. This fact attracts goods from abroad and checks the exports of produce. It then happens that the increased imports cause a demand for specie. This is felt at each business center. Exports being less, all well regulated banks issue less notes, because the movement of produce is diminished. Settlements in specie take place, and the metals are exported until the currency has reached its proper level. This is effected by trade alone.

The amount of paper currency in Great Britain is estimated at £40,000,000, or \$200,000,000, of which \$100,000,000 are legal tender or Bank of England notes, and the whole are based on £20,000,000 of gold and silver, of which, on an average, £14,500,000 are held by the Bank of England, £2,500,000 by the Scotch,

and a like amount by the Irish banks, making a total of circulation, gold and paper included, of only about \$300,000,000. The issues of the Bank of England are limited to £14,000,000. That institution cannot exceed this sum. The bank must pay notes for specie or specie for notes whenever either is demanded. It has no control over the amount of circulation whatever. The whole is left to the action of trade. All the bank can do is to charge more or less interest according to the demand for money.

From what has been said it is self-evident that legitimate paper-money is in no shape capital. It is the mere sign that capital is moving to market. The volume of this sign will be in exact proportion to the quantity of capital moving. Now, it is equally apparent that if a bank undertakes to issue notes for any other purpose than to move commodities it commits a fraud. If, for instance, it had lent the drover \$1,000 to speculate in lands or to improve his farm, and he paid out the notes, they would soon return upon the bank for payment and it would have nothing to give. It could get nothing from the drover until his speculation was successfully matured. Meantime the bank must pay specie. If it has not the means it fails. Its loan to the drover was fictitious. It lent him a credit which it must meet from capital, because the drover's obligation does not represent capital moving to market.

When a Government undertakes to issue paper it represents an expense only. There is nothing behind it which it represents and which will cancel it. A hundred millions in paper notes are paid out to troops and creditors. They fill the channels of business, but represent nothing which is to redeem them. They have, so to speak, no home. There is nothing to take them back to the Treasury, and more are continually issued to meet new expenses. The notes will not leave the country, because they have not that faculty which attaches to the precious metals of being universally acknowledged as currency. They necessarily depreciate in value from superabundance. The over supply of the currency causes prices to rise, and the metallic part flows off, without, however, effecting a remedy, because the Treasury continues to pour forth its flood of paper.

The law of finance is, however, irresistible, if it cannot diminish the volume of the currency by exportation it does it another way, namely, by depreciation. This exhibits itself in a rise in prices exactly proportioned to the quantity of paper afloat, so that no amount uttered will increase the money a dollar. In illustration of this fact I will quote two examples. On the 26th of February, 1797, the crown council resolved that the public service required the bank "to forbear issuing any cash in payments." An immense excitement resulted. In the midst of the turmoil a meeting of the London merchants was held, and it was resolved "that we will not refuse to receive bank notes in payment of any sum of money to be paid to us." Four thousand names were appended, and the Gentleman's Magazine states it never witnessed a more loyal meeting. It was in this temper that the public received the bank suspension. The bank continued to issue its notes, and the circulation rose from £10,000,000 to £22,500,000 in 1810, when gold was nine and one eighth premium. In 1813 gold was thirty-six and a half premium. The circulation of these two periods was as follows:

	1810.	1813.
Bank of England.....	£22,541,000	£24,023,000
Country notes.....	21,374,000	22,342,000
Silver taken.....	4,500,000	4,500,000
 Total.....	£48,415,000	£50,865,000
Specie value.....	44,430,848	37,303,000

Thus, with the larger circulation outstanding, there was less money afloat. Now, sir, what is the fact in relation to our own currency? The amount of specie estimated in the northern States in 1861 was \$200,000,000. The bank circulation was \$150,000,000. The specie has now been replaced with \$500,000,000 of United States paper, and gold is 160. The results are as follows:

	1861.	1864.
Specie.....	\$200,000,000
Bank notes.....	155,000,000	\$160,000,000
United States notes.....	469,031,294
 Total circulation.....	 \$355,000,000	 \$629,031,294
Specie value.....	355,000,000	393,143,900

The amount of money has undergone but little increase as measured in gold; but as measured in the price of other commodities it has not increased at all. It is a principle of currency, when depreciated, that gold demonetised will rise in price less than other commodities, for the reason that its greatest value consists in the use of it for circulation. When Congress, by the law of February, 1862, made paper a legal tender, the demand for specie as a currency ceased. The cessation in demand caused a fall in its value, and it began to disappear. Silver has entirely disappeared and gone out of the country. Gold has been in demand for custom duties, and to some extent for hoarding and speculation, and this has retained a portion of it in the country. This has not, however, sufficed to keep gold up to the level of other commodities the demand for which is greater than ever, proportioned to the production of them, because the Government has taken into its employ more than one million men who are consumers of goods, munitions, and produce, and of which they create nothing. Great numbers of others are employed in manufacturing articles for the war consumption that could not be used in time of peace. In the payment of all these the Government pays out an increasing supply of paper which passes into the hands of the people, and for which every individual in the country demands daily and hourly some portion of domestic and imported article to consume; but very few ask or care for gold. Hence it is that gold has risen in value less than any other article. In other words, the paper of the Government has depreciated less in comparison with gold than with most other commodities. This is not left to surmise or conjecture, but is susceptible of mathematical demonstration.

EFFECT OF PAPER MONEY.

The Secretary in his report has given tables of prices in New York for thirty-nine years, embracing most of the important articles of commerce, and he hopes that they will be of service in promoting information upon the influences which act upon prices. I have availed myself of these tables in my endeavor to carry out the hope of the honorable Secretary. A table of sixty leading articles has been constructed, showing the aggregate value of the whole at regular intervals, compared with the price at the corresponding period, and the amount of United States notes at the same time, according to the official reports:

	Gold.	Value 60 articles.	Rise per cent.	U. States notes outstanding.
January, 1862.....	Par.	\$804	\$20,550,326
April, 1862.....	1½ premium.	844	4.97	105,880,000
January, 1863.....	32	" 1,312	63.18	244,366,321
February, 1863.....	72	" 1,400	74.12	298,378,201
March, 1863.....	54	" 1,524	89.52	345,553,500
July, 1863.....	25	" 1,323	64.55	408,554,456
October, 1863.....	54	" 1,485	80.57	422,225,280
December 31, 1863.....	52	" 1,694	116.00	469,031,296

These facts concentrated from the Secretary's tables show that gold has ad-

vanced to a very trifling extent in comparison with the advance which has taken place in the great articles of commerce. Every one of the sixty articles embraced in the table has advanced, step by step with the emissions of the Government paper, and the aggregate average advance has been 116 per cent., when gold has advanced but 52 per cent. A portion of the advance has been due, doubtless, to the taxes, to the scarcity of materials, and to the rise in labor; but that is also due to the paper currency, which has compelled strikes among work-people.

This average rise in the prices of commodities marks the true depreciation of the Government paper, and gives the key to the loan transactions of the Secretary. The following shows the value of the loans made at four periods, in goods and in specie:

					Depreciation per cent.
Loan.	Specie value.	Merchandise value.	In specie.	In goods.	
January, 1862.....	\$50,000,000	\$44,661,231	\$62,189	-	
June, 1863.....	50,000,000	34,480,000	37,793	22.75	40.00
October, 1863.....	50,000,000	33,000,000	34,295	30.50	45.00
December, 1863.....	50,000,000	32,000,000	30,106	32.75	51.00

We have here the fact that in proportion as the value of the circulating paper fell in regard to commodities, did the desire increase to place it in the six per cent. stock. The frightful depreciation is manifest in taking a single article, and we may select iron as one of which the supply has been less influenced by the war than most others. The price of iron in the tables of the Secretary is \$21, December, 1861. At that date he obtained for \$50,000,000 of six per cent. stock from the banks \$44,661,231 in coin, which was then equal to 2,126,776 tons of pig iron. In December, 1863, the Secretary obtained \$50,000,000 in paper for the same amount of stock, and this was worth only 1,190,477 tons of iron. Thus for the same quantity of stock for which the people are to pay gold, principal and interest, the Secretary obtains about one half the iron. He is paying per annum in gold \$3,000,000 for the use of 1,190,470 tons of iron, or \$2.50 per ton, whereas he pays \$1.41 per ton per annum for the use of that bought in 1861; yet he coolly informs us that he is borrowing at a lower rate of interest. This process is progressive with every issue of paper; prices rise, and with that rise more paper is required to effect the same object.

Now, sir, it is not a matter of surprise that the Secretary is able to sell a gold stock on such terms. Every business man is aware that the present prices are fictitious, that they depend only upon the quantity of paper afloat, and that they will sink lower than before when that paper perishes. The man who held a stock of goods more or less dead at specie prices, suddenly finds them converted into paper money at three or four prices. He puts that money into six per cent. stock, because he hopes it will be paid in gold, and he will have purchased it at sixty cents on a dollar.

SIMILAR SYSTEMS ABROAD.

The history of our present paper issues is but a repetition of the French revolutionary system. The origin and course of the issues are very nearly the same. France had, in the operations of John Law, an experience quite as terrible as our own Revolutionary paper issues. That famous financier was the ablest of the times. M. Thiers, in the French Chambers, in 1840, on the occasion of the re-charter of the Bank of France, remarked in relation to Law's work on finances:

"It contains all that we have been able to say since, and I affirm that Law at the beginning of the eighteenth century understood quite as much of the question as any of those who have since discussed the subject of banking."

This is no doubt true, because I have remarked the matter is of itself simple, but is only mystified by attempts at fraud. On the 5th May, 1716, under the name of Law & Co., was chartered a bank of twelve thousand shares of about \$100 each. This bank was conducted on the soundest principles and had a great success. The general currency were treasury notes of Louis XIV, for which Law's notes were fifteen per cent. premium. He issued notes, but on business paper. In an evil hour the bank fell under the control of the Regent, who, like our Secretary in 1861, was of opinion that if a "little paper was good more was better," and \$200,000,000 of notes were issued. It is needless to say that the scenes that are now developing themselves here immediately manifested themselves there. The wildest speculation succeeded, and the whole power of the Government soon exerted itself to maintain the credit of the paper. Law, it appears, like our own Secretary, while constantly giving hints of the danger of paper money, continually pushed the issues. In 1720 discredit set in. It was then that the ingenuity of the Government was taxed to put down "gold speculators," who, it asserted, caused the depreciation of the paper, and finally, February, 1720, an edict was issued forbidding the use of specie altogether. Any person found with more than \$100 coin in his possession was to pay a fine and submit to confiscation. It was forbidden to buy specie, and informers were given one half. Sir, our own gold bill before Congress gives informers one third, but Chase is less liberal than Mr. Law and the Regent. The edict gave rise to the most atrocious proceedings. Lord Stair observed that it was impossible to doubt Law's Romanism, "since he had established an inquisition after his manifest belief in *transubstantiation* by turning so much gold into paper." Coin was an illegal tender. The annals of the times are full of the distress which grew out of Law's paper. The public patience was soon exhausted, and Law was chased out of France, just escaping with his life.

The seeds of ruin then sown developed themselves sixty years after, under the feeble King Louis XVI, who could not enforce economy, and the annual deficit was alarming. In 1783, the minister Turgot did what Mr. Chase did in 1861, he supplicated the bank of discount for a loan. That institution had a capital of 15,000,000 francs, and a circulation of 35,000,000 francs. It was in a flourishing condition, paying regularly eight per cent. dividends and enjoying high credit. In an evil hour it loaned the Government 6,000,000 francs for its notes. This enlargement of its circulation involved its prompt suspension. The minister, to protect himself, caused the notes to be made a legal tender. The directors saw their danger, however, and promptly enacted a rule that no loan should be made except upon commercial paper, and that there should always be a reserve equal to one third of the outstanding circulation. This restored public confidence, and the stock of the bank sold at very high rates. The speculation in it attracted the attention of the afterwards famous Mirabeau, who denounced it in a pamphlet, which was promptly suppressed by the Government.

Turgot was succeeded by Colonie, a minister altogether of a more modern school. His principle was not to make himself unpopular with the court by diminishing expenses, nor with the people by extracting from them taxes for the service of the state. His plan was chastely conservative; it was "to make things pleasant" by borrowing, and his prodigality, which was a marvel for his times, was mere parsimony as compared with the lavish outlay of our own magnificent minister. He made his loans frequent and large. He did what has become so familiar to us. He addressed himself to the bank. Reckless as was his

expenditure, he nevertheless appears to have had a clear understanding of financial principles, and in this differed widely from the head of our Treasury. He clearly understood that paper money was not capital, and he also knew that it was capital that he wanted.

There were two modes of operating upon the bank, widely different in their results. He could require it to loan its capital to the Government, or to lend its notes. That is real capital or fictitious capital, either wealth itself or only the promise of it. The minister adopted the first expedient. He borrowed \$70,000,000 of the capital of the banks in the same way that Mr. Chase borrowed, as he informs us, \$170,000,000 in specie. The loan was regular and caused no trouble. The minister, however, issued paper in the same manner that Mr. Chase issued demand notes, against the strongest protests of the banks. The results were precisely the same. The notes of Colonne, issued in June 1787, disturbed the circulation and forced suspension in three months. Those of Mr. Chase issued August, 1861, forced suspension at the close of December.

Necker was now minister. He took the other means of loans. Instead of borrowing capital of the banks, he borrowed their notes, which was done to the extent of 90,000,000 francs. Ten years afterwards Mr. Pitt did the same in England, and seventy-two years afterward Mr. Chase repeated it in New York. I will here give extracts from these financiers to the banks.

Mr. Necker, in 1789, writes to the bank:

"I hope you are not indifferent to my embarrassments. See the financial crisis, that of the grain market, that of the States General, and deliver me from inquietude as far as it depends on you."

Mr. Pitt, in 1797, writes to the Bank of England:

"It gives me much concern to be obliged to apply for an accommodation to so large an extent, but I cannot too strongly represent how necessary it is for the public service."

He felt it an indispensable duty to represent to them in the most earnest manner that it would be impossible to avoid the most serious and distressing embarrassments to the public service unless the demand was complied with.

The French bank could go no further, however, and then (November 15, 1789,) M. Necker proposed to supplant the then existing banks with *national banks* to issue 210,000,000 francs, of which 170,000,000 francs was to be loaned to the State. Has any one heard in our day of a proposition to supplant old banks with "national banks," and to use their notes for the service of the Government? The result of the proposition was to issue \$80,000,000 of legal tender paper money, redeemable in public lands; and in March, 1790, the new Government bank began to issue their assignats, and then the emission went on without limit.

These notes or assignats were of three descriptions; first, without interest from \$20 to \$2,000 each; second, with coupons attached; and third, fractional notes from one to ten cents each. The whole amount outstanding at the end of 1790 was \$250,000,000 at a discount of ten per cent. At the close of 1792 the amount was \$440,000,000, and the discount thirty-seven per cent. In 1794, the sum had reached \$1,200,000,000 and the discount seventy-eight per cent. Ruin soon overtook the whole, and in February, 1797, they were no longer a legal tender of any value. Their fall involved the most frightful distress among the public which began to recover as soon as relieved from their baneful presence.

The resemblance between the movements of Mr. Chase and those of the French revolutionists is very great. He has the same dread of taxation, the same efforts to borrow capital of existing banks until they are exhausted, the same project to create national banks in order to disguise the Government paper issues in their

names. Finally, his issues of paper money are of the same classes, namely, legal tender with interest, legal tender without interest, and fractional legal tender. In one respect his issues differ from those of Danton, Marat & Co. He does not make them receivable for customs, which are collected in gold. This fact attracts attention, and the observer asks himself where did he get that idea. Because our Secretary is peculiarly a borrower, even to his notions, which are not always of the rank of ideas. Sir, he borrowed it of another revolutionist in another age and nation. In Leland's History we find one of the principal means of overthrowing the power of the Stuart family in Ireland, thus stated.

"Brass and copper of the basest kind, old cannon, broken bells, household utensils were assiduously collected; and from every pound weight of such vile materials, valued at fourpence, pieces were coined and circulated to the amount of five pounds nominal value. By the first proclamation they were made current in all payments to and from the King, and the subjects of the realm *except in* *the importation of foreign goods*, money left in trust, or due by mortgage, bills, or bonds.

"As brass and copper grew scarce, it was made of still viler materials, of tin and pewter, and old debts of £1,000 were discharged by pieces of vile metal amounting to thirty shillings in intrinsic value."

James had the grace to respect trust funds, the property of the widow and the orphan. With us the whole of those sacred trusts are dissolving under the baleful influence of Mr. Chase's paper.

The Secretary of the Treasury, on page 15 of his annual report, holds the following language.

"In former reports the Secretary has stated his convictions, and the grounds of them, respecting the necessity and the utility of putting a large part of the debt in the form of United States notes without interest, and adapted to circulation as money. These convictions remain unchanged, and seem now to be shared by the people. For the first time in our history has a real approach to a uniform currency been made; and the benefits of it, though still far from the best attainable condition, are felt by all. The circulation has been distributed throughout the country, and is everywhere acceptable."

It is here asserted that the circulation is more uniform than ever before, and that it is everywhere acceptable. If this be so, if the Secretary believes what he here asserts, why does he seek to change so admirable a system by supplanting it with national bank notes not a legal tender? He tells us with great unction that every holder of a note has a direct interest in sustaining the national institution. Is he speaking of the confederacy or of the Union?

If the Northern people are bribed to hold together by paper notes, so are the confederates to a greater extent. But, sir, I reject the idea. The deep-seated and unbought patriotism of the American people is none the stronger because they hold a few depreciated paper dollars of fast-fleeting value. The idea could occur only to the head of a Government reeking with corruption.

UNIFORM CURRENCY.

Now, sir, in relation to uniform currency, let us look at it as it exists. When Mr. Chase reached power there was in circulation \$275,000,000 of specie, and \$200,000,000 of bank notes, every dollar convertible at sight into gold. There was but a fractional difference between the State issues, composed of the cost of transportation only. The currency in San Francisco was the same as in Maine, in Florida as in Iowa. Let us see what we have now:

United States notes, legal tender	\$450,785,004
United States notes, legal tender, five per cent., payable in two years.....	50,000,000
United States notes, legal tender, five per cent. without coupons, one and two years...	50,000,000
National Bank notes, legal tender with the Government, not with the people	10,000,000
United States notes, fractions, legal, tender for small sums.....	20,000,000
United States postal currency, legal tender, not taken for foreign postage.....	17,000,000
 Total United States uniform currency.....	\$637,185,004
Old bank notes not received by Government	150,000,000

Here are seven kinds of currency, all of different faculties and attributes, uniform in only one respect, that of being worth to-day fifty cents per dollar of the constitutional currency, and that *uniformity* varies every hour in the day. Now, are we to take this declaration in favor of a "uniform currency" as a joke, a sarcasm, or as simply a draft upon the credulity of Congress and the patience of the people?

Again, we are told that this uniform currency, is distributed throughout the country, and is "acceptable to the people." In this assertion the existence of the Pacific States is ignored unless the theory of State suicide is to be applied to them for their contumacy in steadily refusing to have anything to do with his paper currency. Sir, this is what happens in California. The Federal Government collected there in 1863, \$4,688,399 for duties in gold, and sent to New York to speculate with in the gold exchange under the new bill. It paid out in California \$9,885,531 in greenbacks, none of which will pass there as currency. The Government officers and contractors go to the brokers and sell Mr. Chase's very "acceptable uniform" currency at sixty-two cents per dollar. It is shipped to New York in the room of gold to pay debts, and for goods. In January, 1863, the "legal tenders" sold in San Francisco market at sixty-eight cents per dollar. In March they sold at fifty cents per dollar. In July, eighty cents per dollar. In December, sixty-eight cents per dollar. These immense fluctuations of a very uniform and acceptable currency in a city of the United States affords a remarkable commentary on the financial schemes of the Secretary.

This currency in which the Government has taken such pride, it has determined to supplant with national bank notes. Under the banking law, some three hundred and eighty-eight banks, with over \$50,000,000 capital have been organized for the purpose of putting out bank notes to be a legal tender between the Government and the people, but not among the people. The attempt to issue this money is on the plea that it is necessary to the "safety of business transactions," "cheapening exchanges," &c., &c.

These views seem to be entirely at variance with the facts. In the last thirty years the capital of the country has grown very rapidly, and with its growth specie currency has assumed greater proportions, while a system of stock security for circulation, and the rigid system of prompt redemptions has brought a gradually decreasing amount of paper currency in proportion to the numbers of the people and the amount of business transacted. The following figures, taken from the Secretary's report, will show the outstanding circulation of the banks of the United States at the end of each of four decades as compared with the aggregate imports and exports and the number of the people:

Year.	Bank circulation.	Imports and exports.	Population.	Circulation per head.
1830.....	\$61,328,898	\$144,726,428	12,866,020	4.75
1840.....	106,968,572	239,227,465	17,069,453	6.25
1850.....	153,012,911	330,037,038	28,191,876	5.50
1860.....	207,102,477	762,288,550	31,076,267	6.50

Thus the circulation per head has increased but to a limited extent, while the amount of imports and exports per head has more than doubled. The same amount of bank currency has served to transact double the business, because of the increase of specie and the growing disfavor of paper. The banks which were in existence in 1860 are still in existence, still issuing their paper mostly secured in stocks, because the New York security principle has been adopted in thirteen States.

To these issues has been added \$469,031,294, the amount outstanding February 2, of United States notes. The reason given by the Secretary for the issue of these notes was that notes so issued are, in fact, a loan from the people without interest, and he thought it right that if any one had the benefit of such a loan it should be the Government in its extremity. He now claims that the national banks ought not only to have the benefit of that loan, but the Federal Government should pay them six per cent. per annum in gold, or at present rates \$27,000,000 per annum interest to make those issues upon the people to the extent of \$300,000,000, or \$100,000,000 more than the entire bank circulation in a year of our greatest prosperity.

The \$469,000,000 that the Secretary now issues without interest he proposes to fund in a six per cent. stock and to pay the banks to issue the notes instead. The banks are also selected by the Secretary, at his pleasure, to be depositories of the public money. These provisions mainly make the national bank system one of the most corrupt that ever existed; a very little examination of its operation will show this.

The banking law (I do not refer to the bill now before Congress) provides that five individuals may form a bank of \$50,000 capital. One third of this amount must be deposited with the Comptroller in United States six per cent. stocks, when he may issue ninety per cent. of the market value of the stock in circulating notes, which notes are redeemable by the banks in greenbacks. Now, sir, under this law a banker with his clerks may file papers for a capital of \$50,000. They then deposit \$15,000 in stocks with the Comptroller, receiving \$13,500 in notes with which more stock may be bought and deposited, receiving \$12,150 in notes which are again expended for stock to be deposited for a further amount of notes, and the process goes on until the concern has on deposit \$100,000 of six per cent. stock, drawing \$6,000 per annum in gold, or nine per cent. in paper, which has cost but \$15,000 originally.

There is now outstanding \$90,000 of circulation which are redeemable in greenbacks at the counter of the bank. This bank circulation is receivable for all dues to the Government except duties, consequently there is little demand for redemption; but if there is none, one can be created by the usual arts of money-brokers. The bank may be owned in Wall street, and located at some inaccessible place in the country. When the country cannot be reached, then the owner in Wall street charges one half per cent. to redeem the notes in greenbacks. If redemption is slow, he creates a panic by discrediting his own bills. They then come in rapidly upon him, and the oftener he redeems them the oftener he gets one half per cent. discount. The usual course of redemption is in six weeks, or eight times a year, or what would give four per cent. on \$3,600 per annum, making \$12,600 per annum on an investment of \$15,000. What, now, is the security to the bill-holder? It is a six per cent. United States stock, payable in national bank notes. That is to say, the holder of the notes if the bank fails gets United States six per cent. stock. When he wants his stock paid he gets national bank notes. And so on in a circle. This, however, is but a small part of the profits of the banker. The law of February, 1862, authorizes the Treasurer to issue certificates of deposit bearing five and a half per cent. in deposits of United States notes, and national bank notes have the same privilege. The banking law gives the Secretary the power to make these institutions depositories of the public money; accordingly the public money is placed with them.

They then, in the character of a depositor, carry the money to the Treasury and get five per cent. certificates of deposit issued to them for the funds. The Secretary of the Treasury thus actually takes money out of the Treasury, lends it to a pet bank, which lends it back to the Treasury at five per cent. interest. These funds may be redeposited with the same bank and the process repeated until the banker may draw interest on \$500,000 or any other sum, when he holds actually no money at all belonging to the Government. Sir, this is not a supposition or a surmise. It is what actually takes place this day in New York between the Treasury and the national banks.

Of the whole amount of bank capital said to be organized under this new law, one third or about \$17,000,000 is located in the city of New York, where the prize held out is the use of the public money, and where a most shameless struggle is being carried on for the possession of that "great bribe." The Bank of Commerce has been conspicuous—as the Treasury agent, selling Government exchange—in producing the recent panic in that city in order to earn the special privilege proposed to grant it in the bill before Congress. And as a reason for granting them, it was urged in the other House, by the Senator from Ohio, that the bank had granted favors to the Government. The proposition is gravely made to confer special pecuniary privileges on a corporation because it has prostituted itself to the desires of the Treasury Department. The Fourth National Bank was to have been the great New York pet, and was organized in that view.

The "Treasury Sultan" threw to it his handkerchief, and the corporation made costly preparations for the Treasury embrace. The fiscal Vizier transferred his favor to the plumper Bank of Commerce, and the Fourth National Bank fell into ruins. The only bank that is yet really in operation legal, is the First, known as "Thompson's Bank," and the nature of that concern is seen in the figures of its quarterly reports, of which the main features are as follows:

	October, '863.	January 1.	April 1.
Capital.....	\$200,000	\$300,000	300,000
Public money.....	None	200,000	1,431,795
U. S. promises on hand.....	100,000	900,000	1,442,754

Thus, an institution of \$300,000 capital holds nearly five times the amount of public money without security and without interest, and invests it in United States gold-bearing stocks. More Government stocks sold with the Government money, for the benefit of the bank, gave \$150,000 per annum interest or 50 per cent. of the bank capital. We are told that that gross system of plunder is necessary to a uniform currency.

Is it a matter of surprise that banks increase and multiply under such a management of the Treasury? Is it a matter of wonder that the public debt is rolling over us in a volume which is swelling to thousands of millions, and which is to engulf not only our material wealth but the liberties of this fair land?

This is the banking system, the corrupt progeny of political intrigue, which is to supplant the old and well-tried banking system. The future of such a system is not doubtful. It involves the solvency of the Government, and will justify the worst fears of those who protested against the departure from the only sound system of finance, namely, to adhere to the constituted currency and raise by taxation the larger proportion of the war expenses, and borrowing only when a specific tax was created to cover both principal and interest. Such a system would have commanded the capital of the world.

Mr. Chairman, I have thus frankly and truthfully depicted the effect of this system erroneously adopted by the Secretary of the Treasury. It is fearful to contemplate. The vast hostile armies threatening the territorial integrity of the Union are not more portentous of evil. God grant the country relief! May the American people soon realize the impending danger, and with united and determined power throw off these unworthy servants who are breaking down all their material interests, and crushing not only the superstructure but the very foundation of constitutional liberty.